

## **WASHINGTON STATE INVESTMENT BOARD**

### **Administrative Committee Meeting Minutes May 15, 2003**

The Administrative Committee met in open session at 8:51 a.m. at the Washington State Investment Board (WSIB) office at 2100 Evergreen Park Dr S.W., Olympia, Washington.

Committee members present:        John Charles, Chair  
   Charlie Kaminski  
   George Masten  
   Mike Murphy

Others Present:                        Joe Dear, Executive Director  
   Sue Hedrick, Executive Assistant  
   Les Brodie, Acting Deputy Director for Operations  
   Liz Mendizabal, Communications and Legislative  
   Coordinator  
   Jim Lee, Systems and Office Services Manager  
   Patricia Sheridan, Office Manager  
  
   Paul Silver, Assistant Attorney General

Chair Charles convened the meeting and identified the members in attendance.

#### **ADOPTION OF MINUTES – APRIL 17, 2003 and APRIL 23, 2003**

**Mr. Masten moved to adopt the Board minutes of April 17, 2003 and April 23, 2003. Mr. Murphy seconded the motion.**

Mr. Kaminski suggested one correction. The minutes of the April 17<sup>th</sup> meeting failed to show that, at that meeting, Mr. Kaminski requested staff to look at what the asset allocation study would result in if private equity were split with Venture Capital as one asset class and Other Private Equity as another.

**The motion to approve the minutes, as amended, carried unanimously.**

#### **APPROVAL TO EXTEND COST EFFECTIVENESS MEASUREMENT, INC. (CEM) CONTRACT FOR ONE YEAR (JULY 1, 2003 THROUGH JUNE 30, 2004)**

Mr. Dear said the \$15,000 contract with CEM analyzes WSIB costs and compares them with other pension funds. He said it is a very useful document and he recommended that the contract be extended.

**Mr. Murphy moved that the Committee recommend to the Board that the contract be extended. Mr. Masten seconded the motion.**

**The motion carried unanimously.**

### **BOARD MEMBER CORRESPONDENCE PROCEDURES**

Mr. Dear mentioned that, at the last Administrative Committee meeting, Lee Ann Prielipp raised the issue of what Board members should do with correspondence they receive in the course of their duties. In response, the Committee asked Mr. Dear to draft a procedure for the Committee's review. Mr. Dear and staff then drafted a Board Member Correspondence policy, which states that Board members will inform the executive director when they receive correspondence from external groups requesting information or expressing concerns about the WSIB. Board members then may choose to have Mr. Dear respond on their behalf or draft a response for the member's signature. Treasurer Murphy said it appears that the way the policy is drafted, Board members would be required to send all Board-related correspondence to the executive director. He said he feels it should be up to the members to decide. Mr. Masten said he would rather not see another policy created. He recommended instead that this be offered as a suggestion, particularly to new members when they come on the Board.

Treasurer Murphy agreed with Mr. Masten and pointed out the fact that correspondence could include electronic mail as well as letters. It was agreed that the draft policy would be rewritten as a memo to the Board and shared with new members during orientation.

### **OTHER ITEMS**

Chair Charles distributed two memos that were written in 1997 by the Board's fiduciary attorney, Bill Song, about the role of non-voting members. Mr. Charles said there are a number of issues that Mr. Song discussed in his memos relative to some questions that have come up recently regarding the indemnification of Board members when they take action on issues. He indicated he thought it might be helpful to review Mr. Song's analysis prior to the Board governance workshop in July.

Chair Charles also handed out a matrix showing the attendance of Board members for the past two years at monthly Board meetings.

### **Draft Board Education Plan**

Mr. Dear said that one of the topics for consideration by the Board is a Board Education Plan. He distributed a draft plan, created by staff, which lists 10 possible training topics for the rest of 2003 and 2004. He suggested that new Board members should attend a session presented by Bill Song on fiduciary duty after the June Board meeting. He briefly went over the list.

Chair Charles said he feels the Board does need an education plan in order for new board members to learn the essential aspects of being a fiduciary and to understand investments. He said he feels this is a good start, and there is a need to have some education process, especially for new Board members.

Mr. Murphy suggested that, when Mr. Song does his presentation, he do an executive summary of it rather than a lengthy version.

### **Salary Setting**

Chair Charles raised one additional item. He said that although the Board has been involved in setting the salary schedules of the executive director and the investment officers, he did not believe that it has been involved in determining the salary schedules of administrative personnel. He said it appeared there was an internal setting of ranges, and he felt the Board ought to be made aware of the ranges and how they are set, and then allow the executive director the latitude to provide increases within those ranges.

Mr. Masten suggested there might be some value for the executive director to report to the Administrative Committee the agency's policy for setting salaries of administrative staff. Mr. Dear said he would be happy to do that at the next meeting in June. He said there have been no changes to the policy since he came on board, and he has not changed any salaries.

Chair Charles said it is not the intent of the Board to set individual salaries, but they would like to have the authority to establish ranges, and then the executive director would have authority within those ranges. Mr. Masten said that, in the case of the investment officers, the Board adopted a policy, which delegated to the executive director the authority to adjust salaries. He said he doesn't recall that the Board has done anything with regard to administrative staff, and he feels they should take a look at it.

Mr. Dear said he will present the administrative salary ranges at the next meeting in June. He said that, at the next meeting, he will also present the goals in his plan that he has achieved.

There being no further business to come before the Committee, the meeting adjourned at 9:31 a.m.